

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 ISO-00 EA-06 NEA-10 AGR-05

OIC-02 IO-10 AID-05 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 STR-04 CEA-01 L-03 H-02 TAR-01 PA-01

PRS-01 SSO-00 INRE-00 NSC-05 SS-15 NSCE-00 USIE-00

/127 W

----- 127162

O R 101220Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2741

AMEMBASSY BRASILIA IMMEDIATE

AMCONSUL RIO DE JANEIRO IMMEDIATE

INFO AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

AMEMBASSY MEXICO

AMEMBASSY MANAGUA

AMEMBASSY ABIDJAN

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E.O. 11652: N/A

TAGS: ETRD, EAGR, OCON

SUBJECT: COFFEE NEGOTIATIONS: FURTHER REACTIONS TO
CONSUMER CAUCUS SUGGESTIONS

REF: LONDON 10507

DEPARTMENT FOR KATZ

BRASILIA AND RIO FOR ROBINSON

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SUMMARY: AT JULY 9 AFTERNOON MEETING OF WORKING GROUP

ON NEGOTIATIONS, BRAZILIAN REP RAFFAELLI SAID BRAZIL HAD SERIOUS RESERVATIONS ABOUT CONSUMER PAPER SUBMITTED THAT MORNING, BUT IS WILLING TO CONTINUE SERIOUS NEGOTIATIONS. HE REITERATED BRAZILIAN OBJECTIONS TO SPECIFIC AREAS, BUT IN MORE MEASURED TERMS THAN USED EARLIER BY CALAZANS. CONSUMERS RESPONDED THAT BRAZIL HAD MISCONSTRUED INTENT OF THE PAPER WHICH DID NOT PRETEND TO BE A DEFINITIVE CONSUMER PROPOSAL BUT AN EFFORT TO HELP PRODUCERS CRYSTALIZE THEIR OWN THINKING. MEETING CONCLUDED WITH DECISION TO SET UP A SMALL CONTACT GROUP INCLUDING BOTH BRAZIL AND U.S. TO SEEK TO SPEED UP NEGOTIATIONS.

L. WORKING GROUP ON NEGOTIATIONS RESUMED DISCUSSION OF CONSUMER CAUSUS SUGGESTIONS FOR POSSIBLE MECHANISMS FOR A NEW ICA AT AFTERNOON MEETING JULY 9. IBC PRESIDENT CALAZANS DID NOT ATTEND.

2. BRAZILIAN REP (RAFFAELLI, PERMANENT REP TO ICO) INTERVENED TO STATE THAT BRAZIL DID NOT REFUSE TO DISCUSS CONSUMER DOCUMENT, BUT WAS CRITICAL OF IT AND WANTED TO INDICATE SPECIFIC PROBLEM AREAS. HE EXPRESSED HOPE THAT PERHAPS BRAZIL HAD MISUNDERSTOOD PARTS OF CONSUMER PAPER AND THINGS COULD BE CLEARED UP. HE THEN PROCEEDED TO COVER MUCH OF THE SAME GROUND THAT CALAZANS HAD IN MORNING MEETING, BUT IN MORE MEASURED TERMS.

3. RAFFAELLI DID NOT RPT NOT REFER AGAIN TO CONSUMER SUGGESTIONS FOR MARKET SHARE ALLOCATION. HIS SPECIFIC CRITICISMS CENTERED ON LACK OF EXPLICIT PRICE POLICY; FAILURE TO TAKE STOCKS INTO ACCOUNT IN DIVISION OF FIRST YEAR'S ANNUAL QUOTA; SUGGESTION THAT CONTROL SYSTEM BE SUSPENDED WHEN QUOTAS SUSPENDED; PROVISION FOR PENALTIES IN CASES OF QUOTA UNDERSHIPMENT AND IMPLIED PREFERENCE FOR INCLUDING NON-MEMBER IMPORTERS IN QUOTA MARKET. HE SAID CONSUMERS APPARENTLY ONLY INTERESTED IN PROVISIONS WHICH WILL INSURE LOW PRICES BY ENCOURAGING PRODUCERS TO DUMP STOCKS BEFORE AGREEMENT COMES INTO EFFECT AND THEN LIMITING PRICE INCREASES TO 20 PERCENT ANNUALLY BEFORE QUOTAS ARE SUSPENDED. (PAPER SPECIFIED "X" PERCENT--). THE U.S. DEL HAD MENTIONED A 20 PERCENT FIGURE IN TOTALLY LIMITED OFFICIAL USE

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DIFFERENT CONTEXT DURING BILATERAL DISCUSSIONS WITH CALAZANS.) RAFFAELLI ALSO CRITICIZED PAPER FOR FAILING TO TAKE PRODUCER OBJECTIVES INTO ACCOUNT. HE CONCLUDED BY STATING BRAZIL IS PREPARED TO NEGOTIATE SERIOUSLY AND INVITED CONSUMER COMMENT ON WHETHER HE HAD INTERPRETED PAPER PROPERLY.

4. FRANCE (GALLOT) WAS FIRST CONSUMER TO SPEAK IN FORCE-

FUL RESPONSE. HE SAID CONSUMERS INTERESTED IN UNDER-SHIPMENT PROVISION BECAUSE BRAZIL AND OTHER PRODUCERS INSISTING ANNUAL QUOTAS BE TIGHTLY BASED ON EXPECTED CONSUMPTION (DISAPPEARANCE) AND CONSUMERS NEED ASSURANCE QUOTAS WILL BE FILLED. HE SAID CONSUMERS HOPE SITUATION NEVER ARISES WHERE QUOTAS AND CONTROLS NEED BE SUSPENDED, BUT GIVEN PAST ATTEMPTS OF PRODUCERS TO RAISE PRICES UNILATERALLY, WE NEED INSURANCE THAT THE CONTROL SYSTEM CANNOT BE USED BY PRODUCERS TO IMPLEMENT OR ENFORCE WITHHOLDING SCHEMES. GALLOT ALSO SAID CONSUMER PAPER INTENDED TO ENCOURAGE STOCK BUILDUP AND PREVENT DUMPING BETWEEN NOW AND 1976, THE REVERSE OF RAFFAELLI'S INTERPRETATION.

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5. CANADA (MUSGROVE) AGREED WITH FRANCE AND REITERATED THAT CONSUMER PAPER HAD NOT ATTEMPTED TO GIVE A DEFINITIVE LIST OF OBJECTIVES FOR A NEW ICA, BUT ONLY MAJOR CONSUMER OBJECTIVES ON WHICH CONSENSUS REACHED. U.S. (INGERSOLL) AGREED WITH FRANCE AND CANADA AND POINTED OUT THE ICO HAS NO LEGAL AUTHORITY TO VERIFY STOCKS UNDER PRESENT ICA, MAKING QUESTION OF USING VERIFIED
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STOCKS FOR PORTION OF FIRST YEAR QUOTA ALLOCATION MOOT. THE NETHERLANDS, FRG AND SWEDEN ALSO INTERVENED TO SUPPORT CONSUMER PAPER AND TO STRESS IT REPRESENTED CONSUMER SUGGESTIONS, NOT UNIFIED PROPOSAL OR SET OF DEMANDS. SWEDEN WAS PARTICULARLY FORCEFUL IN TELLING RAFFAELLI HE WAS "WRONG" AND SUGGESTING A CONTACT GROUP BE SET UP TO GET ON WITH THE SERIOUS BUSINESS OF REACHING AN AGREEMENT.

6. UGANDA, NETHERLANDS AND CANADA SUPPORTED SWEDISH PROPOSAL FOR AN EIGHT-MAN CONTACT GROUP AND EXECUTIVE DIRECTOR REQUESTED PRODUCERS AND CONSUMERS TO DESIGNATE FOUR MEMBERS EACH. CONSUMERS CHOSE CHIEFS OF U.S., FRENCH, U.K. AND SWEDISH DELEGATIONS. PRODUCERS CHOSE RAFFAELLI OF BRAZIL, GOMEZ OF COLOMBIA, AND SAWADOGO OF IVORY COAST. AS OF NOON JULY 10, "OTHER MILDS" PRODUCERS HAD NOT BEEN ABLE TO AGREE ON WHO AMONG THEM WOULD REPRESENT THEIR GROUP.

7. JULY 10 FINANCIAL TIMES SUMMED UP TRADE EVALUATION OF BRAZILIAN MOTIVES AS FOLLOWS: "BRAZIL IS STILL GENUINELY ENTHUSIASTIC ON ESTABLISHING A NEW AGREEMENT BUT ... MAY BE ENGAGING IN "BRINKMANSHIP" IN THE HOPE OF CARVING OUT A BIGGER SHARE OF THE GLOBAL QUOTA."

8. BRAZILIAN AMBASSADOR TO LONDON CALLED ON AMBASSADOR RICHARDSON MORNING JULY 10 TO EXPRESS HIS CONCERN OVER CONSUMER PAPER. DETAILS WILL BE REPORTED BY SEPTTEL.

RICHARDSON

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Message Attributes

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Draft Date: 10 JUL 1975
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Disposition Approved on Date:
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